

**MINUTES OF THE ALABAMA MEDICAID PHARMACY STUDY COMMISSION
NOVEMBER 14, 2013
MONTGOMERY COUNTY HEALTH DEPARTMENT AUDITORIUM
MONTGOMERY, ALABAMA**

Members Present

Donald E. Williamson, M.D., Chair
Stephanie Azar
Dorinda Cale
Jim Carnes
Representative Steve Clouse
Monica Fischer, representing Frank Brown
Jeff Freese
Rhonda Harden

Spencer Holden
Tammie Koelz
Representative Jim McClendon
Dan McConaghy
Michael Ramsey, M.D.
Jim Reddoch
Senator Greg Reed

Members Absent

Barry Cochran
Senator Arthur Orr

Opening Remarks

Dr. Williamson welcomed new Commission member, Jeff Freese. Mr. Freese is employed by Turenne PharMedCo and represents organizations that serve residents in nursing homes, mental health group homes, and assisted living facilities.

Dr. Williamson stated that Optumas had synthesized the previous work of the Commission, reviewed the estimated savings, factored in the impact of changes that had already been made in the pharmacy program, factored in the potential impact of the pharmacy tax, and generated the most probable savings associated with the models. Dr. Williamson further stated that everyone recognized that money saved by changing pharmacy was only one part of the equation. What had not been addressed in the Commission's work to date was the economic impact on the state of one model versus another. Dr. Williamson had a discussion with Optumas regarding other ideas and ways to quantify the impact in other states when those states changed their pharmacy delivery model.

Dr. Williamson informed the Commission that he had spoken with the Governor's Office earlier in the day and had been given approval to extend the work of the Commission by a month, if the Commission agreed. Commission members agreed to extend their work for an additional month and provide the report to the Governor by January 1.

Consideration of Minutes

The Minutes of the Alabama Medicaid Pharmacy Study Commission Meeting held on October 24, 2013, were approved as distributed.

Presentation by Optumas

Mr. Steve Schramm, Managing Director of Optumas, stated there was no specific recommendation on how the Alabama Medicaid pharmacy program should be changed and stated the quality of services to be provided must be equal to, if not greater than, the quality of services provided by the current system. He presented information which included the goals of the Commission; a recap of previous meetings during which the delivery and reimbursement system was discussed as well as the demand on the General Fund, increases in recent spending, and Alabama's pharmacy program as compared to other states; and a recap of the reform initiatives presented by the American Pharmacy Cooperative, representatives of Pharmacy Benefit Management (PBM) companies, and representatives of a Preferred Pharmacy Network. Mr. Schramm provided detailed comparisons of the foundation, quality and cost improvement, proposed savings, and general observations regarding each of the three initiatives. Optumas' projected bottom line impact, incorporating the provider tax loss (if applicable) and removing potentially unaccounted for savings overlap, was: a savings of \$5 million to \$15 million state dollars if American Pharmacy Cooperative was selected (assumed no loss of provider tax); a savings of \$11 million to \$29 million state dollars if a PBM was selected (assumed loss of provider tax); and a savings of \$19 million to \$30 million state dollars if a Preferred Pharmacy Network was selected (assumed loss of provider tax). All of the savings were in addition to the \$11 million in savings from initiatives implemented in 2013.

Mr. Schramm indicated that the three options presented were not the only options available to the state of Alabama nor were the options themselves fixed in stone. They were meant to be options that were representative of the kind of changes that the Alabama Medicaid program could make.

Because Alabama's Medicaid pharmacy program covers a myriad of populations, services, and settings, Mr. Schramm suggested that each option be considered on a very detailed level before considering a change in the program. In order to pursue necessary information, Optumas recommended Alabama explore a sequential procurement process of the options, as most states have done. For example, Alabama would issue a Request for Proposal for Option A and would evaluate whether it could accomplish the goals. If the goals could be accomplished using Option A, Alabama would select Option A. If not, it would move on to Option B and so on.

Discussion by Commission

Mr. Freese asked the Commission to consider the residents in nursing homes, mental health group homes, and assisted living facilities that are served by a pharmacy that must provide full blown medication distribution systems and processes that are much more than just a prescription vial that can be obtained in a retail setting. These pharmacies provide services such as medication documentation for the nurses, assurance that residents are receiving medications properly, delivery of medications often with a short time frame, education of nurses, medication distributions systems, and specialized packaging. Some of these pharmacies are in rural areas. Although this is not a large population, relative to overall Medicaid spend, and it may not have a significant financial impact, Mr. Freese suggested these residents be carved out of this type of program.

Mr. Carnes expressed concern that the Commission had not seen any attempt to evaluate the human side of the equation, the relationship between the patient and the pharmacist, and the counseling that is so crucial to the Medicaid population. Mr. Schramm replied that these things

were typically seen in a more detailed specification sheet associated with the procurement process and should be added as performance standards.

Senator Reed expressed his concern that there would be the potential for pharmacies to receive less in reimbursement or their financial opportunities would be lessened as a result of these implementations and options. He stated the Commission must be careful in recognizing the economic and quality impacts as time goes along. As an example, a pharmacist in a very rural part of the state would find it easier to close the pharmacy and work for a big box store than to keep the pharmacy open in a small area. What would happen to the patient in this particular setting who depended on the pharmacist as their primary access to any kind of health care? A two-day problem for the patient could turn into a three-week problem and the state would have to pay a larger dollar amount to care for that patient in a hospital setting.

Representative McClendon requested American Pharmacy Cooperative speak on their purview of fraud, waste, and abuse since it was not specifically mentioned during their earlier presentation to the Commission. Mr. George Hiller and a representative of Health Information Designs described their processes relative to fraud, waste, and abuse.

Senator Reed questioned if there would be changes in regard to the Centers for Medicare & Medicaid Services' (CMS) guidelines for pharmacy reimbursement. Alabama adopted these guidelines in 2010 and saved significant dollars. Dr. Williamson explained that nothing would change with the guidelines and explained the process of approval by CMS if substantive changes were made to the pharmacy program. Dr. Williamson pointed out that if Alabama chose the single most aggressive option available, it would not close the funding shortfall in Medicaid by more than one-third at best. He further indicated that pharmacy, by itself, was not the solution to the funding shortfall.

Next Meeting Date

The final meeting of the Alabama Medicaid Pharmacy Study Commission was scheduled for December 13, 2013, at 1 p.m. The goal of the meeting will be to review data on the economic impact, to review data on Georgia's "most favored nation" status, to review a comparison of market basket drugs in both Alabama and Georgia, and to review the draft Commission report. If the Commission is unable to vote on the report at the December 13 meeting, another meeting will be held via conference call, prior to January 1.

There being no further business, the meeting was adjourned.



Donald E. Williamson, M.D.
State Health Officer
Chair, Alabama Medicaid Pharmacy Study Commission